



**COMMUNITY DEVELOPMENT COMMISSION
of the County of Los Angeles**

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Commissioners

Carlos Jackson
Executive Director

October 11, 2005

Honorable Board of Commissioners
Community Development Commission
of the County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, California 90012

Honorable Board of Commissioners
Housing Authority of the
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, California 90012

Dear Commissioners:

**APPROVE MEDICAL PLAN CHANGES (ALL DISTRICTS)
(3 Vote)**

**IT IS RECOMMENDED THAT THE BOARD OF COMMISSIONERS OF THE
COMMUNITY DEVELOPMENT COMMISSION:**

1. Approve and authorize the Executive Director to replace the Health Maintenance Organization (HMO) and Point-of-Service (POS) employee medical plans currently provided by Blue Shield of California with comparable plans provided by Blue Cross of California (Blue Cross), effective January 1, 2006; and authorize the combined payment, with the Housing Authority of the County of Los Angeles, of an estimated \$160,000 as the January 2006 premium to Blue Cross.
2. Approve and authorize the Executive Director, with the Housing Authority, to increase the combined contribution under the Optional Benefit Plan and under the Flexible Benefit Plan to match the current benefit level provided by the County to its employees for the purchase of medical, dental, vision and life insurance benefits, at an estimated cost of up to \$350,000, effective January 1, 2006; and authorize the Executive Director, with the Housing Authority, to match any future increases in the Optional

and Flexible Benefit Plan contributions provided by the County to its employees, for the purchase of medical, dental, vision and life insurance benefits.

3. Approve the combined payment, with the Housing Authority, of the employer-paid subsidy for the 2006 calendar year, with Kaiser Health Plan (Kaiser), Blue Cross HMO and Blue Cross POS, at an estimated cost of \$700,000.
4. Authorize the Executive Director to execute contracts and contract amendments with the above firms for the purpose described herein, to be effective January 1, 2006, following approval as to form by County Counsel.
5. Authorize the Commission to fund all medical plan costs using funds included in the approved Fiscal Year 2005-2006 budget and funds to be approved through the annual budget process for Fiscal Year 2006-2007, as needed.

IT IS RECOMMENDED THAT THE BOARD OF COMMISSIONERS OF THE HOUSING AUTHORITY:

1. Approve the combined payment, with the Community Development Commission, of an estimated \$160,000 as the January 2006 premium to Blue Cross of California (Blue Cross) for Health Maintenance Organization (HMO) and Point-of-Service (POS) employee medical plans.
2. Approve an increase, with the Community Development Commission, in the combined contribution under the Optional Benefit Plan and under the Flexible Benefit Plan to match the current benefit level provided by the County to its employees for the purchase medical, dental, vision and life insurance benefits, at an estimated cost of up to \$350,000, effective January 1, 2006; and authorize the Executive Director, with the Community Development Commission, to match any future increases in the Optional and Flexible Benefit Plan contributions provided by the County to its employees, for the purchase medical, dental, vision and life insurance benefits.
3. Approve the combined payment, with the Community Development Commission, of the employer-paid subsidy for the 2006 calendar year, with Kaiser Health Plan (Kaiser), Blue Cross HMO and Blue Cross POS, at an estimated cost of \$700,000.

4. Authorize the Housing Authority to fund all medical plan costs using funds included in the approved Fiscal Year 2005-2006 budget and funds to be approved through the annual budget process for Fiscal Year 2006-2007, as needed.

PURPOSE/JUSTIFICATION OF THE RECOMMENDED ACTION:

The purpose of the recommended action is to provide employees, during the 2006 calendar year, affordable health coverage that is comparable with plans offered to County employees. The current plans end on December 31, 2005.

FISCAL IMPACT/FINANCING:

Blue Cross of California requires an estimated deposit of \$160,000 to establish an account and prepare open enrollment materials. This amount is equivalent to one-month's premium and will be applied toward the premium of January 2006. The contract is expected to extend each year using funds approved through the annual budget process.

The estimated annual cost to increase the combined contribution under the Optional Benefit Plan from \$556 to up to a maximum of \$626 per month, and under the Flexible Benefit Plan from \$810 to up to a maximum of \$852 per month is \$350,000. These increases match the benefit level provided by the County to its employees for the purchase of medical, dental, vision and life insurance benefits.

The Executive Director reserves the discretion to apply the appropriate contribution, not to exceed the authorized amounts, based on availability of funds. The Executive Director currently plans to increase the Optional Benefit Plan contribution from \$540 to a maximum of \$556 per month and the Flexible Benefit Plan contribution from \$770 to a maximum of \$810 per month, at an estimated annual cost of \$120,000, effective January 1, 2006. Benefit contributions may be increased, up to the maximum authorized amounts, pending availability of funds.

The increase in the employer-paid subsidy is estimated at \$700,000 for January 1, 2006 through December 31, 2006.

The Executive Director is also seeking authority to, in the future, provide Optional and Flexible Benefit Plan contributions up to a maximum monthly cost not to exceed the benefit level provided by the County to its employees, for the purchase of medical, dental, vision and life insurance benefits in comparable programs.

The current Fiscal Year 2005-2006 budgets of the Housing Authority and Commission will support the proposed cost for the medical plan and increases to the Optional and Flexible Benefit Plans for the period of January through June 2006. The budgets to be presented to your Board during the next annual budget process will include funding for the remaining costs.

The Board of Commissioners of the Housing Authority must approve the plan changes, because Housing Authority funds will be used to pay a portion of the benefits for Commission personnel performing Housing Authority functions.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS:

Employees are currently provided Blue Shield HMO, Blue Shield POS, and Kaiser as employee medical plan options. During the months of August and September, the Commission evaluated these plans and the required cost increases for 2006. Blue Shield proposed increasing its rate by 22.5 percent. The Commission, therefore, requested proposals from Aetna, Blue Cross, Cigna HealthCare, Health Net and PacifiCare to compare with Blue Shield. All of these companies, with the exception of Blue Cross, declined to submit a quote.

Blue Cross can provide comparable coverage, a larger physician network, and a Medicare risk HMO plan for retirees at a lower cost than the proposed 2006 Blue Shield rate. Furthermore, the Blue Cross HMO and POS plans provide chiropractic and acupuncture care benefits, which are requested by employees, but which are not provided by Blue Shield. Kaiser will continue as the third medical plan option.

Employees are provided benefit choices under the Flexible Benefit and Optional Benefit Plans. Both plans allow employees to purchase medical, dental, vision, and life insurance coverage by utilizing employer contributions to the plans.

The minimum monthly contribution under both plans was last adjusted on October 5, 2004. Participants in the Flexible Benefit Plan currently receive an employer contribution expressed as a percentage of salary, but not less than a minimum contribution of \$790 per month. Given that employee costs for health insurance will be increasing again in 2006, the Commission is recommending an increase for participants in the Optional Benefit Plan up to a maximum \$626 per month and an increase for participants in the Flexible Benefit Plan up to a maximum of \$852 per month. The County approved similar increases for its MegaFlex and Flexible Benefit plans on September 6, 2005.

Employees will be required to pay on average an additional seven and one-half percent from their pay to help defray the cost of medical insurance. This seven and one-half percent increase in employee contributions under each of the plans will also contribute significantly to the funding in 2006. The new monthly contribution for each plan is provided in Attachment A.

In general, these changes are consistent with the 2006 changes approved by your Board for non-represented County employees.

At its meeting of September 28, 2005, the Housing Commission recommended approval of this action.

IMPACT ON CURRENT PROGRAM:

The recommended actions are consistent with the principle of promoting the well being of Commission employees and their families by offering comprehensive employee benefits.

Respectfully submitted,

CARLOS JACKSON
Executive Director

Attachment

Attachment A

Monthly Employee Contribution for 2006*

Kaiser

Employee Only	\$233.00
Employee + One	\$440.00
Family	\$544.00

Blue Cross HMO

Employee Only	\$206.00
Employee + One	\$420.00
Family	\$553.00

Blue Cross Point-of-Service (POS)

Employee Only	\$330.00
Employee + One	\$700.00
Family	\$990.00

*Monthly employee contribution is the employee cost after the subsidy is applied to the actual plan cost.